



U.S. Department of Justice

Tax Division

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DAH:DMK:PLBednar
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March 9, 2023

Via ECF

Honorable Peggy Kuo
United States District Court
Eastern District of New York
225 Cadman Plaza East
Brooklyn, New York 11201

Re: *United States v. Lax et al.*
No. 1:18-cv-4061 (E.D.N.Y.)

Dear Judge Kuo:

Pursuant to the Court's docket text order of February 9, 2023, the Plaintiff United States and Defendants Zlaty Schwartz, 307 Hewes Realty Corp., 299 Hewes Street Realty Corp., Morris Schlager, Gitty Schlager, Joseph Green, Hannah Green, Henny Green, Hershi Green, Ben Zion Jacobowitz, Toby Jacobowitz, Judith Lax and J.L. (a minor), and KGK Jewelry LLC report on the status of issues to be discussed at the upcoming telephonic status conference in this case scheduled for March 10, 2023, at 11:00 a.m. The other Defendants did not participate in this report.

Regarding the 299-301 Hewes Street mediation, pursuant to the United States-Judith Lax settlement agreement, Judith Lax has a monthly payment obligation to the United States that began on December 1, 2022. Regarding the 307 Hewes Street mediation, the signed written settlement offer from Defendants 307 Hewes Realty Corp., Ben Zion Jacobowitz, and Toby Jacobowitz has been formally approved by DOJ-Tax Division, and payment under the settlement agreement has been received by DOJ-Tax Division. Upon posting of the payment under the DOJ-Tax Division's payment system, a stipulation/proposed order/notice of voluntary partial dismissal will be promptly presented to the Court, assuming that the approval of one remaining defendant is obtained for the dismissal. Otherwise, a motion for approval of the dismissal will be filed.

The United States' settlement discussions with Defendant JBAM Realty LLC regarding the claim against it alleged in Count 12 of the Amended Complaint (lien enforcement) are

ongoing. The United States' settlement discussions with Intervenor Aron Lax regarding Count 12 are ongoing. The United States' settlement discussions with Defendant Zlaty Schwartz regarding all causes of action against her in the Amended Complaint are ongoing. The United States' settlement discussions with Defendants Moshe Lax and Zlaty Schwartz regarding certain claims in Count 12 are ongoing. With respect to the United States' settlement discussions with Defendant KGK Jewelry LLC regarding a claim in Count 12, the United States plans to revisit such discussions; otherwise it will inform the Court that the United States intends to proceed with the pending litigation as to these claims.

With respect to contempt proceedings regarding third-party witness Martin Ehrenfeld, on February 8, 2023, Judge Glasser entered an order vacating the bench warrant against Ehrenfeld and discontinuing imposition of the \$500 daily fine previously authorized by Judge Glasser. A hearing was held on March 8, 2023, on Ehrenfeld's application to purge the accumulated fine.

The United States is working with the Porzio law firm to schedule a deposition by written questions of the firm during the week of April 10, 2023, in light of the Court's decision on the United States' discovery motion regarding the firm (Docket No. 343).

At the March 10, 2023, status conference, counsel for the United States intends to discuss whether the fact discovery cutoff of April 7, 2023, should be extended in light of further discovery arising out of the Court's recent decision on the United States' discovery motion regarding the Porzio law firm (Docket No. 343) (particularly because the deposition by written questions is being scheduled for the week of April 10), as well as to facilitate the ongoing efforts at settlement discussions described above.

Respectfully submitted,

/s/ Philip L. Bednar

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